

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5785-02
Bill No.: HCS for HB 2187
Subject: Natural Resources, Department of; Property, Real and Personal.
Type: Original
Date: February 8, 2016

Bill Summary: This proposal requires the Department of Natural Resources to sell certain lands acquired through environmental settlement funds.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	Less than (\$69,257)	Less than (\$70,988)	\$0
Total Estimated Net Effect on General Revenue	Less than (\$69,257)	Less than (\$70,988)	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Road Funds	\$0 or (Unknown - could exceed \$100,000)	\$0 or (Unknown - could exceed \$100,000)	\$0 or (Unknown - could exceed \$100,000)
Total Estimated Net Effect on Other State Funds	\$0 or (Unknown - could exceed \$100,000)	\$0 or (Unknown - could exceed \$100,000)	\$0 or (Unknown - could exceed \$100,000)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

In response to a previous version, officials at the **Office of Administration - Facilities Management, Design and Construction (OA-FMDC)** assumed the proposal would apply only to Oregon County. Also, OA-FMDC assumed that it would fulfill the obligations of currently existing leases, but would not be able to renew or extend those leases and would not be able to enter into new leases in Oregon County.

In OA-FMDC's experience, current market rates for counties surrounding Oregon County range from \$16 - \$21 per square foot. This is much higher than the \$7 - \$10 rates for the existing contracts in Oregon County. Assuming an average cost for replacement space of \$18.50/sq ft would result in an increase of \$69,257 in annual rent.

Oversight will show OA-FMDC's estimated increase in annual rent of \$69,257 in FY17, and \$79,988 in FY18. However, Oversight is unsure how the effective dates of the legislation (August 28, 2016 - August 28, 2017) will correlate to the timing of leasing space (ban on owning an interest in land is in parts of two state fiscal years). Therefore, since the ban does not cover either fiscal year completely, Oversight will reflect a fiscal impact of "less than" OA-FMDC's estimates in FY 2017 and FY 2018.

Officials at the **Department of Natural Resources (DNR)** assume this proposal would have a one time positive fiscal impact to the 3rd State Building Funds based on the sale of 162.58 acres located at Grand Gulf State Park.

Currently, Department of Natural Resources - Division of State Park's (DSP) only state park in Oregon County is Grand Gulf State Park. The park is comprised of 162.96 acres of land owned by DSP plus 162.58 acres that are leased.

DSP will auction the 162.96 acres currently owned at Grand Gulf State Park. Based on the purchase price, DSP estimates the value of the land at \$62,500. This land was acquired by the 3rd State Building Funds; therefore, DSP assumes any revenue from the sale of the land will be returned to that fund.

DSP will end our current lease for the remaining 162.58 acres of Grand Gulf State Park. We do not anticipate an impact to the Parks Sales Tax fund for the cancellation of this lease due to the nominal amount of the annual lease (\$19.08 for calendar year 2014).

ASSUMPTION (continued)

DSP and the Office of Administration would also have to end a lease for the office space for Grand Gulf State Park management. DSP defers to the Office of Administration for the fiscal impact to ending the lease prior to the agreed terms and any potential savings from avoided lease payments.

DSP assumes that all staff and operating expenses will be shifted to other facilities. Therefore, there will be no impact to the fund for these expenses.

Since the legislation has an expiration date of August 28, 2017, the DSP assumes that we could re-enter the lease for the 162.58 acres of Grand Gulf State Park after the expiration date.

The greatest impact from the closure of Grand Gulf State Park will be the loss of the state park for the more than 58,000 visitors per year. Additionally, Oregon County will experience a drop in tourism related revenues that our visitors spent in Oregon County while visiting Grand Gulf.

DNR also stated DSP acquired an additional 4,167 acres in Oregon County on January 15, 2016. Visitors are estimated at 42,000 per year. If the state is forced to sell, the department would need to refund the federal treasury settlement account approximately \$8 million.

This additional acreage is the result of the acquisition of two ranches made by DSP which were known as the Frederick Creek Ranch and the Building 4 Babies Ranch (B4B) or formerly known as the Pigman Ranch; both are located in Oregon County.

Neither State or Federal funds held in the State Treasury were used to purchase these two ranches for a total cost of \$8 million.

Oversight notes the recent purchase by DNR is the result of a 2007 settlement in which ASARCO agreed to pay Missouri nearly \$35 million for environmental damages in Missouri's lead mining counties. DNR and the U.S. Fish and Wildlife Service are acting as trustees for the settlement proceeds.

Oversight will not show the fiscal impact of the estimated proceeds from the sale of the properties in Oregon County because the net impact to the State's total assets is \$0. Oversight assumes it is the sale of land, an asset, in exchange for cash (sale proceeds) - also an asset.

Oversight will make the assumption the proceeds received from the sale of property would go to General Revenue because a segregated fund has not been established for these proceeds.

ASSUMPTION (continued)

Therefore, **Oversight** will assume future use or spending of these funds would require further action by the General Assembly to appropriate these funds.

Oversight will not show an impact to local political subdivisions in Oregon County, either increase property tax with the state no longer holding an interest in land, or a potential loss of tourism-related revenue as mentioned by DNR. Oversight considers these indirect impacts.

Officials at the **Department of Transportation (MoDOT)** assume this proposal will have a negative fiscal impact on their organization.

Paragraph 3 is written to include a deed restriction on property conveyed that would require the property to "never be sold to, leased, or otherwise controlled by a state or federal agency". This restriction would hinder our ability to acquire land for future road improvement projects if the suggested deed restriction were in place.

There is a "Section 1", shown after paragraph 8, that could be interpreted in different ways and would potentially require the Legislature to approve certain acquisitions. Legislative approval could cause significant delays in delivering STIP projects.

If this legislation were to pass and we make an assumption that there is one project in each of the five counties that because of the deed restriction would require us to relocate a route 1 mile, in order to perform the improvements, it would result in a \$5 million dollar fiscal impact. One mile of road is estimated to cost \$1 million.

Oversight will show a potential negative unknown that could exceed \$100,000 fiscal impact to MoDOT.

Officials at the **Office of Administration - Budget and Planning (BAP)** assume this proposal would not have an impact on their organization but defers to other agencies regarding its impact on their respective organizations.

Officials at **BAP** notes that if proceeds from land sales required by the legislation are deposited into the state treasury, such proceeds would increase Total State Revenue.

Officials at the **Department of Mental Health** and **Department of Social Services** each defer to Office of Administration.

ASSUMPTION (continued)

Officials at the **Department of Agriculture, State Auditor's Office, Department of Conservation, Department of Corrections, Department of Elementary and Secondary Education, Department of Public Safety - Gaming Commission, Governor's Office, Department of Health and Senior Services, Department of Higher Education, Joint**

Committee on Public Employee Retirement,, Lieutenant Governor's Office, Department of Labor and Industrial Relations, Lottery Commission, Missouri Ethics Commission, Missouri Consolidated Health Care Plan,, Missouri State Employees' Retirement System, Office of Prosecution Services, State Public Defender's Office, Office of Administration - Administrative Hearing Commission, Department of Public Safety - Capitol Police, Department of Public Safety - Fire Safety Division, Department of Public Safety - Highway

Patrol, Department of Public Safety - State Emergency Management Agency, Department of Public Safety - Veterans Commission, Department of Revenue, Missouri Senate, Department of Economic Development, Office of State Courts Administrator, and State Treasurer's Office each assume this proposal would not have a fiscal impact on their respective organizations.

In response to a previous version, officials at the **Office of Secretary of State, State Tax Commission, Office of Attorney General, Missouri House of Representatives, Department of Insurance, Financial Institutions, and Professional Registration, Legislative Research, and State Highway Employees Retirement System** each assume this proposal would not have a fiscal impact on their respective organizations.

In response to a previous version, officials at the **Department of Economic Development** defers to the Office of Administration to make an assumption about the fiscal impact of this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE			
<u>Costs</u> - OA -FMDC-building lease payments assumed to increase outside of Oregon County	Less than <u>(\$69,257)</u>	Less than <u>(\$70,988)</u>	<u>\$0</u>
ESTIMATED NET FISCAL EFFECT ON THE GENERAL REVENUE FUND	Less than <u>(\$69,257)</u>	Less than <u>(\$70,988)</u>	<u>\$0</u>
ROAD FUNDS			
<u>Costs</u> - MoDOT - potential to have to relocate roadway	\$0 or (Unknown - could exceed <u>\$100,000)</u>	\$0 or (Unknown - could exceed <u>\$100,000)</u>	\$0 or (Unknown - could Exceed <u>\$100,000)</u>
ESTIMATED NET EFFECT ON ROAD FUNDS	\$0 or (Unknown - could exceed <u>\$100,000)</u>	\$0 or (Unknown - could exceed <u>\$100,000)</u>	\$0 or (Unknown - could exceed <u>\$100,000)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill requires the Department of Natural Resources and all other state departments, agencies, or entities to sell at public auction any property interest to land in Oregon County purchased on or before August 28, 2016 through legal settlement funds administered by the Department of Natural Resources. If there is no purchaser, the property will revert to the ownership of Oregon county government.

After August 26, 2016, the bill also prohibits the department and all other state departments, agencies, or entities from purchasing property interest in Oregon County. Any taxpayer in the state has standing to enforce these requirements and will be entitled to reasonable attorney's fees.

This section expires on August 28, 2017.

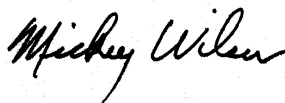
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Natural Resources
Office of Administration - Facilities Management, Design and Construction
Office of Administration - Accounting
Office of Administration - Budget and Planning
Department of Economic Development
Department of Agriculture
Office of Attorney General
State Auditor's Office
Department of Conservation
Department of Corrections
Department of Elementary and Secondary Education
Department of Public Safety - Gaming Commission
Governor's Office
Department of Health and Senior Services
Department of Higher Education
Missouri House of Representatives
Department of Insurance, Financial Institutions, and Professional Registration
Joint Committee on Public Employee Retirement
Legislative Research
Lieutenant Governor's Office
Department of Labor and Industrial Relations
Lottery Commission
Missouri Ethics Commission

SOURCES OF INFORMATION (continued)

Missouri Consolidated Health Care Plan
Department of Mental Health
State Highway Employees Retirement System
Missouri State Employees' Retirement System
Office of Prosecution Services
State Public Defender's Office
Office of Administration - Administrative Hearing Commission
Department of Public Safety - Capitol Police
Department of Public Safety - Fire Safety Division
Department of Public Safety - Highway Patrol
Department of Public Safety - State Emergency Management Agency
Department of Public Safety - Veterans Commission
Department of Revenue
Office of Secretary of State
Missouri Senate
Department of Social Services
Office of State Courts Administrator
State Tax Commission
State Treasurer's Office



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